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## Chapter 18 Development, Poverty & Inequality

### Introduction

*Introduction box* The 2009 Kenyan Food Crisis

The chronic food shortages which afflicted Kenya between 2006 and 2009 prompted the government to declare a national emergency and international relief agencies to warn that a sudden escalation of deaths from starvation and ill-health related to malnutrition was imminent without significant political action. The causes of the crisis were manifold but amongst contributory factors were the following:

- The previous five years had seen several droughts reduce water supplies well below normal levels and negatively affect crop yields.
- President Kibaki's government had been accused of being negligent- and possibly fraudulent- in distributing international aid. Concerns at corruption had prompted many international pressure groups not to give aid to the country.
- Internal conflict between tribes and political factions, triggered by a contentious 2007 Presidential election, disrupted the sale of food within the country. Many farmers hoarded food supplies and increased tension emerged in terms of the allocation of this and dwindling water sources.
- The Kenyan economy had suffered as a consequence of an unprecedented rise in world food prices over recent years augmented by the global financial collapse of 2008-9. Many see greed in wealthy countries as a factor behind the global food crisis with the supply of food in the world negatively affected by more agricultural land being converted to growing crops for biofuels used in cars, rather than food. Similarly, the global financial crisis was caused by greedy corporate practises in wealthy countries but its effects were felt everywhere and most acutely in Less Developed Countries like Kenya.

Hence this crisis could variably be chiefly explained by: a) poor governance b) the misfortune of experiencing a natural disaster or c) the exploitative nature of the global economy. The rival explanations for this particular episode essentially mirror the wider debate on the root causes of inequality, poverty and a lack of economic development in many parts of the world explored in this chapter.

From reading this chapter you will be able to;

- Comprehend the disparity of wealth in the contemporary world and appreciate rival explanations for this phenomenon.
- Evaluate competing arguments for the causes of hunger and famine in the world.
- Be able to evaluate, from a variety of theoretical perspectives, the progress of international policies designed to facilitate the development of poorer states over the past sixty years.

## **The Persistence of Global Poverty**

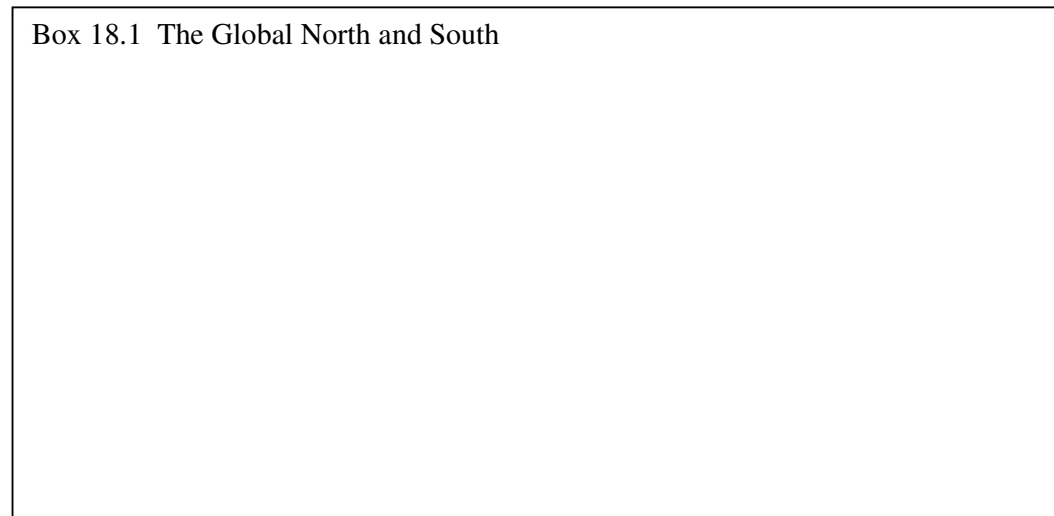
To paraphrase Rousseau via Orwell all states are born equal but some are born more equal than others. The spread of sovereignty through the international system over the last five centuries has given us a world today in which the map has been redrawn from one dominated by a small number of vast international empires to a post-imperial mosaic of around 200 independent states each free to pursue their domestic affairs as they choose and conduct relations with fellow members of this ‘sovereign club’, protected by international law. That, of course, is the theory. The reality is quite different. Most ex-colonies have struggled to match their former colonial masters in economic or political terms, even with legal equality in place, and, leaving aside the legacy of history, it stands to reason that some states, whether through luck or political guile, will be richer and more influential than others.

Poverty, in general and in relation to international relations, can be expressed in two forms: relative and absolute.

### ***Relative poverty***

Economic inequality in the world has always existed but is more pronounced today than it has ever been and there is little evidence that this trend is likely to be reversed in the foreseeable future. The 80:20 ratio is a well-known and effective means of expressing global inequality. Roughly 80% of the world's people live in the 'Global South' but only 20% of the world's wealth is possessed by those same countries. Hence the reverse of this is that the 'Global North' has 20% of the World's people but 80% of its resources. During the Cold War it was customary to subdivide the world into three groupings: the Global North comprised the developed capitalist First World and the Communist Second World, whilst the Third World was the less developed remainder of states principally in Latin America, Africa and south Asia. China could be said to span the Second and Third Worlds but, as a developing country, is categorized as in the South. (see box 18.1) This 'North' and 'South' are only loosely geographic and an increasing number of countries cannot easily be fitted into either camp. The development of oil rich Middle Eastern states and 'Asian Tigers', like South Korea and Singapore made the distinction unclear even before the end of the Cold War. Nevertheless, the 80:20 statistic still gives us a useful snapshot of the 'haves' and 'have nots' in today's world.

Box 18.1 The Global North and South



Source: [http://www.nationsonline.org/bilder/third\\_world\\_map.jpg](http://www.nationsonline.org/bilder/third_world_map.jpg)

1.4 billion people (just over one-quarter of the world) live on or below an income equivalent to \$1.25 per day (the more striking indicator of \$1 per day was abandoned by the World Bank in 2005 due to the inevitable impact of inflation) (Ravallion and Chen 2008) . Perhaps most striking is the fact that the disparity between the haves and have-nots has significantly widened over recent decades. The world's richest 20% of people (not countries) had a combined wealth 30 times greater than the poorest 20% in 1960 but by 1997 this ratio had widened to 74:1 (UNDP 1999: 36-38).

It is, however, an age old political debate as to whether such relative inequality- even if it is ever-increasing- necessarily constitutes a problem or is an indicator of political failure. Put very simply the political left consider that it is morally unacceptable that resources should be so unevenly allocated whilst many Liberals and Conservatives would not necessarily agree that 'relative poverty' is a problem and a failing. For example, the Liberal philosopher Rawls's test of justice for a political system contends that inequality in the distribution of social goods can be considered fair if the least advantaged, nonetheless, gain increased social goods over time and everyone has the opportunity to advance (Rawls 1971). In this view inequality can still be fair.

### ***Absolute poverty***

Whilst not everyone would accept that the existence of great and ever-widening disparities in wealth across the world represents a problem or a political failing, the persistence of absolute poverty, in the form of hunger and famine, must indisputably represent a problem and a political failing. Whether this amounts to a domestic or global political failure, however, is open to debate.

Eradicating absolute poverty has long been articulated as an important aim of international politics but today remains a problem of a similar dimension to what it was in 1963 when US President John Kennedy stated at the UN World Food Congress; ‘We have the means; we have the capacity to wipe hunger and poverty from the face of the Earth in our lifetime. We need only the will’.

A famine is a sudden increase in mortality resulting from food shortages. The more precise causes of famines are frequently disputed by analysts and politicians. Most famines are the result of a combination of both natural and political factors and disputes on causation centre on determining the relative weighting of these two dimensions. There are three fundamental explanations for any particular famine related to the balance between the supply and demand for food.

1. *A fall in the food supply.*
2. *An increase in the demand for food.*
3. *Disruptions to the normal distribution of food.*

The third of these factors is most particularly influenced by politics and economics. As will be explored in the next section, if considered from a global perspective, all famines can be attributed to explanation three since there is demonstrably sufficient food in the world for all people to be adequately fed. We do not live by effective global governance, however, and all three explanations can variously be applied to the situation in states where famines do occur. The food supply in countries can fall below the level sufficient to meet demand because of poor harvests or the population can grow at a rate that the food supply is unable to match.

When famines occur, however, natural variations in supply and demand are frequently magnified by political factors. The famines that ravaged Ireland in 1845-7 and India on several occasions throughout the 19<sup>th</sup> Century, for example, had natural causes but are generally considered to have been exacerbated by the political situation of the two countries. Droughts instigated the Indian famines and a potato blight the Irish disaster and, whilst their British rulers did not cause nor wish such suffering on their colonials, a political failing must be considered to have occurred given that these were food shortages occurring on the watch of the world's richest country. More recently, the 1990s North Korean famine had natural origins but was, undoubtedly, greatly worsened by the government's drive for economic self-sufficiency and a nuclear weapon capability, which has seen food imports reduced at the same time as the domestic food supply has dwindled.

The demand for food continues to increase in the Global South and natural disasters continue to blight many of the same countries, creating food shortages, but most contemporary analysts of famine emphasize distributive factors in their explanations of particular cases. Modern governments can insure against future crop shortages by stockpiling reserves of food and protecting the price of agricultural products. As a consequence of this it is possible to construe protecting people against famine as a political obligation of governments as has most notably been highlighted by the Nobel prize winning Indian Economist Amartya Sen in his 'entitlements thesis' (see box 18.2).

*Box 18.2 Amartya Sen's Entitlements Thesis*

Sen's 'entitlements approach' argues that all individuals should by rights be able to expect to be protected from famine by their government, regardless of changes in food supply or population. Sen draws on extensive evidence to propose that;

no substantial famine has ever occurred in any independent and democratic country with a relatively free press.....

...Even the poorest democratic countries that have faced terrible droughts or floods or other natural disasters (such as India in 1973, or Zimbabwe and Botswana in the early 1980s) have been able to feed their people without experiencing a famine.

(Sen 1999: 6-7)

Democratic governments are compelled to be responsive to the needs of ordinary people facing death by malnutrition, whether directly in elections or indirectly through pressure exerted by the media or other concerned citizens, in a way in which tyrannical dictators or neglectful colonialists are not. Hence Liberals believe that democracy saves people as well as empowers them and that democratization in the world will help in the fight against famine. Food shortages will still occur from time to time but these can normally be planned for by governments and, when they cannot be dealt with, the international community can step in.

## **Hunger**

International political action, coordinated inter-governmentally by the UN's World Food Programme (WFP) and non-governmentally by pressure groups such as OXFAM, CAFOD



and CARE has, in recent decades, succeeded in curtailing the number of famines that occur. However, such groups are quick to point out that these periodic disasters are merely the tip of the global hunger 'iceberg'. Far more people in today's world die of starvation through plain poverty rather than as a result of short-term regional imbalances between the supply and demand for food. The WFP claim that some 25,000 people die every day as a result of hunger and related ailments and that over 1 billion in the world suffer from malnutrition (WFP 2009)<sup>i</sup>. Some consider this a conservative estimate but this death toll undoubtedly outstrips more commonly prioritized threats to human existence, such as war and terrorism.

Why, then, does such a death toll persist in a world in which the food supply is sufficient to permit every person in the world at least the recommended 2,700 calories per day?

There are, essentially, three answers to this question in line with the general schools of thought concerning the equity of globalization outlined in Chapter 2.

1. *Globalists* will tend to pin the blame for hunger on poor governance in the countries concerned. Corruption and / or a lack of democracy or a political reluctance to engage in international trade prevent people gaining the food they should be entitled to from their governments.

2. *Anti-globalists* tend not to blame the governments of malnourished peoples for their plight as they see them as essentially powerless in the face of global economic structures. Marxist analysis argues that global economics accounts for hunger and famines more than the inadequate political responses of particular governments to crop failures. Marx himself considered the famines of his era to be the product of capitalism. It is, indeed, striking that so

many of the worst famines in history occurred in the late nineteenth century, an era of as-then unparalleled global economic liberalization when the trade in foodstuffs greatly increased. On a global level the production and trade in food reached new heights but profound inequality in the world saw many colonies exporting food Northwards whilst their own nationals went hungry.

Marxist explanations for the persistence of poverty-induced starvation hold that it is, like famine, actually caused by the global economy and more a case of willful ignorance by the world's wealthy. In the 1960s Norwegian peace studies scholar Johan Galtung, using language deliberately designed to equate the issue of global poverty with the typically prioritized concern of war, coined the phrase 'structural violence' to encapsulate the nature of the phenomenon;

...if people are starving when this is objectively avoidable, then violence is committed, regardless of whether there is a clear subject-action-object relation, as during a siege yesterday or no such clear relation, as in the way economic relations are organized today.

(Galtung 1969: 170)

3. *Alter-globalists* do not accept that hunger is inevitable in a capitalist world economy but argue that global political failings are still culpable for the persistence of poverty.

Alleviating hunger is possible without abandoning global capitalism by reforming international institutions and encouraging governments to act less selfishly in international trade. The 'make poverty history' campaign of the 2000s, for example, sought to increase public awareness of the daily death toll due to hunger and pressure governments into

structural political actions to alleviate this tragedy. The agricultural industry in the Global North has managed to remain largely exempted from the international trade liberalization of the last sixty years and, in many countries, enjoys heavy government subsidization and protection. This undermines the capacity of the Global South countries to export their food produce to Northern markets. The losses resulting from this distortion of the free market- an estimated annual \$100 billion- far exceeds the sums given to the Global South in aid (Watkins 2002). Hence 'trade not aid' became a mantra of the Make Poverty History campaign in contrast to the charity-focused Band Aid / Live Aid movement of the 1980s which had inspired it. Hence Alter-Globalists argue for a 'mixed economy' for the world in which more political intervention is required in some cases but, in other instances, the invisible hand of the free market should be allowed to do its work.

The logic of these three approaches applied to the wider theme of how poor countries can achieve development is expanded on in the next section.

### Box 18.3 **TIMELINE OF DEVELOPMENT IN INTERNATIONAL RELATIONS**

	<b>Liberal International Economic Order</b>
1944	Bretton Woods Conference establishes World Bank and IMF
1949	US President Truman's Inaugural address promises help for 'underdeveloped areas' of the world.
1951	UN publishes <i>Measures for Economic Development of Under-developed Countries</i> .
1955	Non-Aligned Movement established
1960	'UN Decade for Development' begins Rostow's <i>Stages of Economic Growth</i> published.
1961	UN World Food Programme established
1964	United Nations Conference on Trade and Development (UNCTAD) established Group of 77 established
1965	United Nations Development Programme (UNDP) created
1971-4	Oil Crisis prompted by price rises engineered by Middle Eastern exporters.
	<b>NIEO</b>
1974	'New International Economic Order' adopted by UN General Assembly
1973-9	Tokyo Round of GATT
1980	Brandt Report published
	<b>Washington Consensus</b>
1981	Cancun Summit on International Development Issues
1982	Mexico payment defaults trigger debt crisis
1985	Live Aid concerts channel charitable aid to African famine relief
1990	UNDP's annual Development Reports initiated
1992	UN Conference on Environment and Development
1995	World Trade Organization established
	<b>Post-Washington Consensus</b>
2000	Millennium Development Goals adopted
2003	Mass walkout of Global South delegates at Cancun WTO Summit
2005	'Make Poverty History' campaign holds <i>Live 8</i> concerts
2015	Deadline for judging Millennium Development Goals

## **Approaches to Development**

### ***The Orthodoxy***

The orthodox position on poverty argues that it can be eradicated by those countries affected taking steps to replicate economic development of the kind experienced by global North states. In this view, Less Developed Countries (LDCs) can best mimic Northern development by integrating themselves into the global economy to permit export-oriented industries to flourish and gain from the inward investment provided by Multi-National Corporations

(MNCs). The clearest articulation of this view came from the influential US Economic Historian Walt Rostow with his 'Stages of Growth' thesis in the 1960s. Rostow analyzed the history of development in the North and concluded that all states pass through five similar stages of progression towards 'take off' and an end stage of a wealthy consumer-driven society (Rostow 1960). (see box 18.4 )

*Box 18.4 Rostow's Five Stages of Economic Growth (1960)*

**1. TRADITIONAL SOCIETY-** Pre-industrial economy and pre-modern society.

e.g. Europe in the Middle Ages.

**2. PRECONDITIONS FOR TAKE OFF-** transition stage towards

industrialization and modernization. Manufacturing industries emerge, banks emerge and the provision of education becomes more widespread. e.g. Western Europe in the late 17<sup>th</sup> & early 18<sup>th</sup> Centuries.

**3. TAKE OFF-** The industrial revolution and the key watershed for development.

Economic growth becomes the norm and service industries emerge to aid manufacturing industries. e.g. Britain in the late 18<sup>th</sup> Century, France and US in the mid 19<sup>th</sup> Century.

**4. DRIVE TO MATURITY-** more national income is invested and the economy diversifies. e.g. Britain, France, US, and Germany in the late 19<sup>th</sup> Century.

**5. AGE OF HIGH MASS CONSUMPTION-** a diverse economy based on consumer goods and services.

Rostow's thesis is part of the general belief that economic development is linked to *modernization*, a generic term encompassing a combination of social and economic changes

such as having smaller families, making transactions by money instead of bartering, secularization, mass education, literacy and urbanization. Encouraging foreign investment is seen as the key to being able to finance and learn how to embrace these changes. This then allows 'take off' to occur and permit export earnings to enrich producers and the wider society through the 'trickle down' effect of some of that money then being spent and invested in other sectors of the economy.

The failure of many LDCs to show any sign of such progression over the last fifty years has dented the rigor of Rostow's thesis but the discourse on international economic relations is still dominated by variations on this orthodox position. In particular, the successful economic development in the 1980s and 90s of the Newly Industrialized Countries (NICs), such as the 'Asian Tigers' of Taiwan, South Korea, Hong Kong and Singapore, after opening themselves up to foreign investment and developing export-oriented manufacturing industries, served to reinforce the notion that a global route out of poverty is available for those states stuck in pre-modernity. The subsequent recent growth of 'Big Emerging Markets' like Brazil, China and India is seen as further evidence of this view of progress.

The new Liberal International Economic Order built from the 1944 Bretton Woods Conference was not, however, pure Economic Liberalism since the international development policy was founded on the notion that interventions from Global North states could and should stimulate economic growth in the South. The capitalist world had learned from the Great Depression of the 1930s that free markets do not always correct themselves when in a downturn and *Keynesian* Economics (named after the UK economist and politician John Maynard Keynes who was his country's head delegate at the Bretton Woods Conference) had become mainstream in domestic economic policy. Keynesian economics advocates

government interventions and spending to combat unemployment and boost the demand for goods in order to kick-start a slumping economy. In line with this thinking, President Roosevelt had sought to regenerate the US economy in the 1930s by pumping money into the poorest areas of the country in his New Deal package (an approach not followed at the time in the UK). It was in this framework of thinking that the idea of a 'New Deal' for the capitalist world emerged in the mid 1940s with a US-led international drive to give foreign aid and developmental loans to the world's poorest countries and offering incentives for businesses to locate there in order to stimulate growth. This interventionist variant of Economic Liberalism thus became the orthodoxy of the emergent development policy and the Liberal International Economic Order.

### ***Radical Challenges***

The conventional notion that economic development was a stage that all states would eventually reach if they underwent social and economic 'modernization' came to be challenged from the 1960s since much of the Global South had not experienced significant economic growth. 'Dependency theorists' led by Frank (1971) built upon the previous work of Structuralist economists like Paul Prebisch who advocated 'Import Substitution Industrialization', which saw protectionism as the route to global South development, rather than opening up trade with the global North. From this perspective *developing* states are nothing of the sort; they are *dependent* states being systematically and deliberately exploited by their wealthy counterparts. The global economic system requires *underdeveloped* states in order to feed the voracious capitalist appetite for more wealth in the developed states. Hence, building on evidence that some Latin American states' economic fortunes improved rather than worsened when their principal trading partners were distracted in the Second World War, Frank and others advanced the notion that the poor states of the world would be better

off cutting themselves off from the Global North and concentrating on developing their own resources. (See Chapter 8)

Wallerstein's 'World Systems Analysis' is a less state-centric version of Structuralism which builds on the notion of a *core* of haves and a *periphery* of have nots' inevitably occurring in dependent countries by applying this to the global level. In this view it is not so much the rich states of the world exploiting the poor states as a transnational wealthy class (including elites in less developed countries) exploiting a transnational class of the poor (including the poor in developed countries). (Wallerstein 1979) (See Chapter 8)

### ***Reformist Challenges***

A range of perspectives we will refer to as 'Reformists' do not reject the idea that all can progress in a capitalist world economy but believe that a more nuanced understanding of the process than that offered by the orthodoxy of the Liberal International Economic Order is required. Reformists contend that the drive for pursuing economic growth through industrialization and modernization needs to be compromised in a variety of ways;

- Needs-oriented growth

In particular, the reformists came to challenge the notion that development was all about money and suggested that to observe economic growth was not necessarily to observe development. This approach to development contends that progress necessitates more than a growth of GDP per capita (total earnings of all citizens of a country divided by the number of people) since this might be just enriching a small elite in a country, in line with the core-periphery phenomenon outlined earlier. Instead, real development should be judged in terms of improvements in securing 'basic human needs' for the whole population. The greater



provision of food, clothing, shelter, work and services like health care and education to the population of a state is considered a better indication of development than economic growth.

To get over the limitations of judging development purely in economic terms, the United Nations Development Programme (UNDP) drew upon the expertise of academics like Amartya Sen, to devise a ‘Human Development Index’ to rank a country’s progress (see box 18.5). This figure combines income, life expectancy and educational attainment to give a more thorough picture of whether a state’s wealth is being utilized to the benefit of its people.

<i>Box 18.5</i> HDI versus GDP			
Richest states- by GDP per capita ppp.* (HDI rank in brackets)	Highest HDI rank compared to <i>GDP</i>	Lowest HDI rank compared to <i>GDP</i>	Poorest states (HDI in brackets)
1. Luxembourg (18) 2. USA (12) 3. Norway (2) 4. Ireland (5) 5. Iceland (1)	Cuba (51/94) Myanmar (132/167) Palestine (106/139) Tajikistan (122/154) Albania (30/98)	Botswana (124/54) S. Africa (121/56) Eq. Guinea (127/73) Namibia (125/172) Swaziland (141/104)	173. Niger (174) 174. Tanzania (159) 175. Congo DR (168) 176. Burundi (167) 177. Malawi (164)

(\*purchasing power parity- factoring in the relative worth of a state’s money) (UNDP 2008)

<http://hdr.undp.org/en/>

Anomalies emerge from comparing income and HDI which demonstrate that there is more to development than money. Equatorial Guinea was Africa’s richest country and ranked in the top 30 of the world by GDP per capita as recently as 2004 on the back of export earnings from oil production. Most of the country’s citizens have not benefited from the oil rush, however, as it has been beset with corruption, poor governance and civil turmoil. Hence states which, for various reasons, do not utilize their resources for the benefit of all of their people are judged, by HDI, to be less developed than their GDP would suggest. Equally some

countries, such as Cuba and Albania, under HDI can be understood as more developed than their income would suggest due to relatively good health and educational systems benefitting their citizens. At the same time, the most developed countries by GDP are rich but not necessarily the richest in terms of overall quality of life. The US may be the world's second wealthiest state but the average life expectancy of its citizens has sometimes been surpassed by much poorer Cuba in recent years. However, the fact that Cuba and Myanmar, two dictatorships where political opponents are regularly jailed, rank so highly does suggest, however, that HDI scores do not encompass quality of life in terms of rights and freedom.

- Gender-neutral growth

In a clear illustration of how national economic growth may not be to the advantage of all, the 'Women in Development' movement emerged in the 1970s to highlight the gendered effects of orthodox development thinking. A globalizing women's **social movement** and an emerging feminist approach to Development Studies revealed how, often, modernization and industrialization may have produced economic growth but one that benefitted only men. Industrialization tends to favour male employment as the prevailing assumption across most of the world is that men are better suited to hard manual labour. This is the model developed countries followed in earlier ages and therefore assumed appropriate in development projects. In contrast, agricultural labour in much of the world has traditionally been shared more equally between men and women. Hence the growth of urban industries in many developing countries in the 1950s and 60s saw women's employment and income often decline in the face of overall economic 'progress'.

As the emphasis of global development policy shifted towards encouraging domestic reforms in the 1980s, the gendered implications of the interventions took a new form. The focus of

Structural Adjustment Policies on cutting public expenditure in order to balance the books, whilst often harmful to men as well, tend to have a greater impact on women since they are more often the principal child rearers and as such more vulnerable to the effects of a decline in the provision of schooling or health services.

- Endogenous growth

Whilst not going as far as the Dependency theorists in advocating the outright severance of trade links with the developed world, many reformists came to argue for a measure of short term economic nationalism to protect infant industries. Countries like Britain, the US and Germany had not had to open up themselves to foreign competition in the early stages of their industrialization and had employed protectionist measures, such as putting tariffs on foreign imports. Countries developing in the nineteenth century had been able to grow up until strong enough to find their way in the world and had not had to open themselves up to competition as rapidly as was being expected of their twentieth century equivalents, it came to be reasoned.

- Sustainable growth

The globalization of environmental politics saw the emergence of the notion that economic growth may need to be compromised if it was at the expense of the environment. This 'Limits to Growth' thesis was most unpalatable to those countries who had not yet got to 'grow' and so came to be succeeded in environmental political discourse by 'Sustainable Development'. This approach acknowledges that economic development has to be a priority for the Global South but that it should not be pursued without regards to its polluting consequences. Longer term thinking was required if development could be sustainable in the long term and not be a

quick dash for profit which saw future generations hampered by a depletion of resources and an increase in pollution. (see Chapter 23)

## **The Evolution of Development Policy**

### ***The 1950s & 1960s- Orthodoxy***

The very new political landscape at the end of the Second World War was where the idea of development in international politics took hold. Harry Truman first used the term ‘underdevelopment’ in his inaugural US Presidential address of 1949. With Western Europe no longer the source of political power in the world the one thing the two new superpowers could agree on was that the former colonies of Britain, France, The Netherlands and Portugal should be free to pursue their own destiny and given a helping hand to make their way in the world. Of course, Cold War **Realpolitik** as well as empathy was at work and the US and USSR each saw the emergent ‘Third World’ as an arena in which they could secure strategic allies in the context of the unfolding ideological conflict. Many parts of Latin America, Asia and Africa became the focus of superpower competition, most prominently in Korea, Vietnam and Cuba.

### ***The 1970s- New International Economic Order***

The first systematic challenge to the orthodoxy which had directed development policy in the 1950s and 1960s was a package of reformist ideas which became known as the New International Economic Order (NIEO). Utilizing the changed composition of the UN, which occurred due to the wave of **decolonization** that had swept Asia and Africa, the ‘Third World’ found its voice in the General Assembly and a challenge to the international

economic orthodoxy was signaled with the creation of the United Nations Conference on Trade and Development in 1964, headed by the radical Argentine economist Paul Prebisch. That year also saw the launch of G77, a coalition of (initially seventy seven) Third World states acting in unison to give themselves more leverage in international trade negotiations and advance the cause of development. The Non-Aligned Movement, set up in 1955 as an organization of states declaring themselves to be aligned to neither Cold War superpower, also became a vehicle of Third World solidarity and announced an NIEO manifesto at its annual summit of 1973. This emergent Third World activism was then fuelled by the 1971-4 Oil crisis that was already challenging the supremacy of the developed 'First World' in global economic relations.

The list of reformist demands making up the NIEO was adopted by the General Assembly in 1974 by 120 votes to 6 (including among the dissenters the US and UK). The NIEO sought to offer global South states certain protections within the framework of the world's Liberal International Economic Order and promote a more endogenous form of economic growth. The key demands are summarized in box 18.6.

*Box 18.6* the 'New International Economic Order' demands

- Full sovereign control of Northern MNCs operating in their territories.
- Debt relief.
- Reallocation of military expenditure in the developed world on global South development.
- Preferences in trading rules to allow LDCs to be able to compete with other countries and gain access to protected developed world markets.
- Greater emphasis on 'technology transfers' from North to South in aid and development programmes.
- Establishment of 'Common Funds' to stabilize the global price of primary products on which many Less Developed Countries are dependent.
- Reform of the World Bank and IMF so that Less Developed Countries have a greater say in decision-making and that the conditions for IMF loans are more favourable.

As the 1974 General Assembly vote indicates, the NIEO was something broader than a wish list of the worlds underprivileged. Many Global North governments and a burgeoning movement of humanitarian international pressure groups also took up the cause. Several NIEO themes were taken up by the Reports of the Independent Commission on International Development Issues (better known as the Brandt Reports) of the late 1970s and early 80s, a fairly conservative think-tank set up at the suggestion of the World Bank. The Brandt Reports upheld the virtues of liberalizing trade but advocated greater international cooperation to cushion LDCs from the insecurities of free trade and help them to help themselves.

Specifically on the question of hunger, the Brandt reports advocated; greater food aid, the establishment of a global grain reserve, less agricultural protectionism and, more radically, land reform in LDCs to empower the poor (ICIDI 1980 pp.90-104).

None of the specific NIEO demands came to be transformed directly into international policy but, to varying extents, they did start to become addressed in the progress of development policy in the 1970s and early 1980s.

- *MNCs*

Sovereign control over US and European corporations operating in oil exporting countries of the Global South was confirmed with the unfolding of the oil crisis of the 1970s, in which the likes of Saudi Arabia and Kuwait demonstrated they could and would manipulate the price of this key commodity. The Organization of Petroleum Exporting Countries' (OPEC) actions ensured that MNCs would now be set up in countries at the consent of the host state and abide by their terms. In the biggest of all oil producing countries the Saudi Arabian government through the 1970s gradually acquired full ownership of the chief company Aramco, originally controlled from the US.

- *Debt*

Debt escalated as a problem in the 1980s as a knock on effect of the 1970s oil crisis. The 1970s economic downturn saw private banks in the Global North, who were the principal creditors of Global South countries, increase their interest rates and so also the repayment rates for development loans. Led by Mexico in 1982 several countries began defaulting on their debt repayments, on the basis that they were crippling their economies, and the whole global financial system appeared to be in danger of meltdown. Private banks responded by

devising schemes to re-schedule the debt and the International Monetary Fund (IMF) and World Bank, mindful that developing states were turning to the banks because their conditions were seen as too tough, looked to set better lending terms and find debt relief solutions. One prominent solution that came to be employed was for debtor states to allow MNCs to take some of their industrial assets in exchange for writing off some of the debt. These ‘debt for equity’ swaps and other initiatives relieved the crisis, although debt repayments continue to represent a huge burden for many Global South countries today. It is important to recognise that the response of the Global North to the debt crisis was not driven purely by altruism; it was also an exercise in self-preservation. The Global North’s banking system, as well as the economies of the Global South, appeared to be in danger of collapse due to the spiraling amount of debt that was building up.

- *Military Expenditure*

This NIEO aspiration, predictably, had little tangible impact on international affairs in the ‘70s and early 80’s given the backdrop of the Cold War and unprecedented levels of arms expenditure. The end of the Cold War at the end of the 1980s, however, did appear to open up opportunities for a ‘peace dividend’ to be allocated to development.

- *Preferences*

The principle of exempting developing countries from some of the commitment to free international trade being developed through the implementation of the General Agreement on Trade and Tariffs (GATT) was promoted by UNCTAD and established in the Tokyo GATT Round of 1973-79. Under the Generalized System of Preferences which emerged Developed countries could allow Less Developed Countries to export to them on terms preferable to



those given to other GATT countries on the understanding that this was ‘positive discrimination’ intended to help those countries. (see chapter 16)

- *Technology Transfers*

One key concern with orthodox development policy was that it was too fixated with monetary loans rather than passing on skills to allow the developing country itself to get itself on its feet. The old maxim of ‘Give a man a fish and he will feed for a day. Teach a man to fish and you feed him for a lifetime’ was not being observed and a too short-termist view of economic progress was being employed. In response in 1975 the UN General Assembly passed Resolution 3384 calling for reform of the Paris Convention on Intellectual Property to loosen standards seen as limiting the possibility for Less Developed Countries to mimic technological innovations subject to patents.

- *Common Funds*

Common Funds also became a feature of some trading regimes established between North and South in the 1970s. For example, as part of its Lome Convention with African, Caribbean and Pacific island states from 1975 the European Community introduced the STABEX and SYSMIN mechanisms under which Global South exporters could receive compensation for loss of earnings due to a fall in the price of a range of, respectively, certain agricultural products and minerals.

- *IMF/World Bank Reform*

Third World demands for voting reforms to the financial institutions was not responded to but the shifting tide in development politics and thinking did begin to have some impact on how they operated. The IMF did not deviate too much from its Economic Liberal path but the

World Bank in the 1970s shifted to a Basic Needs approach to development which was more skeptical about the notion of 'trickle down' and sought to ensure that projects benefitted the poorest sectors of developing countries. US conservative politician Robert McNamara did much to promote the Basic Needs approach in his tenure as President of the World Bank, which included setting up the Brandt Reports to further develop these ideas.

### ***1980s & 90s- Washington Consensus***

Following this period of reform, the 1980s witnessed a revival of the Economic Liberal orthodoxy in development politics, often encapsulated in the expression 'The Washington Consensus' (so named to highlight the importance of the US government and the IMF, based also in Washington). A decline in Global South influence and the marginalization of the NIEO agenda occurred through this decade, which can largely be explained by four international political developments;

#### ***1. The end of the Cold War***

The gradual coming to an end of the Cold War in the late 1980s, although giving an opportunity for non-military issues to gain global attention, actually represented a set back for the Third World since there was no longer a first and second world to play off each other. In the 1970s many African, Asian and Latin American countries were able to compete for the attention of two superpowers who saw it as in their strategic interests to help them. The enthusiasm for development articulated by US Presidents, such as Truman and Kennedy, was undoubtedly influenced by their desire to steer African and Asian states away from the lure of Communism. This became evident when, with the ending of the Cold War, much of the focus

of Western Europe and North America shifted to the transition of the former Communist countries and further marginalized the Global South.

## *2. A breakdown of Third World solidarity*

The very notion of a Third World was further undermined throughout the 1980s and beyond by the fact that, whilst it was always a diverse grouping of states, its 'membership' gradually became so disparate that they ceased pulling in the same direction. The OPEC countries had helped inspire Third World countries not fortunate enough to possess bountiful oil deposits but the economic growth of countries like Saudi Arabia and Kuwait saw them essentially join the First World. Similarly, the 'Asian Tigers' or 'Newly Industrialized Countries', like Thailand, South Korea and Taiwan, had joined the developed world by taking them on at their own game and producing modern manufactured goods more cost-efficiently than them. At the other end of the scale some of the Third World of the 1970s had made such little economic progress in the following decade that many commentators started to talk of a 'Fourth World', containing countries impoverished by war and / or famine; like Afghanistan, the Congo, Zambia and Ethiopia. In addition to this, political conflicts between elements of the Third World served to further undermine their cohesiveness as a coalition. The 1980 Iran-Iraq war disrupted Middle Eastern cooperation and the persistence of disputes in other parts of the developing world, such as between India and Pakistan, Ethiopia and Somalia and Libya and Chad further diluted solidarity.

## *3. A reassertion of First World power*

In addition to international political changes serving to dilute the influence of the Third World, it is important to recognize that another factor serving to bring back the orthodoxy in development politics was that orthodox elements in the First World successfully fought back

against the coalition of the South. Displays of Third World solidarity inspired the First World to follow suit and beat them at their own game. The shock of the challenge presented by OPEC prompted the major oil importing countries to similarly cooperate by forming a directly rival body, the International Energy Agency (IEA). The IEA is a cartel of consumers which seeks to coordinate the positions of First World countries *vis a vis* OPEC by negotiating as a bloc over prices and stockpiling reserve barrels of oil in a collective manner. Similarly, in another case of Goliath mimicking David, the impact of G77 prompted the world's richest countries to form G7 to further strengthen their positions in trade negotiations through unity.

#### 4. *The Rise of the 'New Right'*

In addition to structural and political changes the Washington Consensus was also inspired by an intellectual sea change. A renaissance in classic Economic Liberal thinking occurred in the 1980s as a backlash against the apparent failings of 'Keynesian Economics' as a consequence of the economic downturn of the 1970s. Conservative politicians, most notably President Ronald Reagan in the US and Prime Minister Margaret Thatcher in the UK, looked to 19<sup>th</sup> Century Liberalism to revamp their ideology. Both were swept into power to carry out mandates at odds with four decades of cross-party political consensus in favour of a reformist 'mixed economy' combining free enterprise and a strong role for government in providing a welfare safety net for the poor and often bailing out ailing industries.

Thatcher and Reagan's New Right philosophy was principally targeted at their domestic economies, seeing the privatization of state run industries and the scaling back of government ministries as a way of reviving the economic fortunes of the two countries, once they were voted into office in 1979 and 1980 respectively. The New Right philosophy also, however,

spilled over into foreign policy and international development. At a major international development summit at Cancun in 1981, intended to push forward the Brandt Report agenda, the attending Reagan and Thatcher launched an assault on the NIEO effectively bringing to an end this period of reformist international economic relations.

The New Right also took the fight to the UN. In 1984 the government delegations of the US, UK and prominent Asian Tiger Singapore walked out of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in protest at what was claimed to be a wasteful global bureaucracy promoting left wing propaganda. The following year the US began defaulting on their budget contributions to the UN. This was a 'hardball' strategy designed to threaten the Third World that the whole UN system, which had done much to give them a voice, could effectively be dismantled if they did not tow the new line.

The debt crisis of the 1980s provided an opportunity for New Right 'monetarist' economic policies to be put into practice on the international political stage. Faced with the prospect of countries defaulting on their loan repayments, the emphasis of the World Bank and IMF in bailing out Third World countries in economic crisis shifted from lending more money to 'Structural Adjustment Policies' of tying assistance to the enactment of measures to control inflation and seek economic growth through private rather than state-led enterprises. Just as it was felt that poor citizens of the US and UK could best be helped by allowing them to help themselves by becoming less dependent on state benefits, saving their money and becoming more entrepreneurial, the New Right felt poor states needed to keep their own finances in order and allow the invisible hand of market forces, rather than handouts, to fuel their development.

Hence the agenda of international development politics in the 1980s and early 90s was once again chiefly informed by the Economic Liberal orthodoxy but a purer more 'fundamentalist' orthodoxy than that seen in the 1950s and 1960s. Most notably, Japanese and East Asian state-led industrialization was marginalized from the new discourse through Japanese fears of provoking further hostility from the US and Western European governments who were already at loggerheads with them over levels of protectionism and the persistent running of a trade deficit (Payne 2005: 77). Of course, not all of the First World shared this purist position but the balance of ideological and economic power within the North had shifted towards Washington.

### ***1990& 2000s- Post-Washington Consensus***

From the 1990s, however, we have witnessed the renaissance of an NIEO-like agenda and a *Post-Washington Consensus* emerge which, while still advocating economic development through modernization, acknowledges structural failings in the contemporary global economic system. The New Right tide ebbed away in the 1990s as evidence of the limitations of purely free market solutions to poverty became apparent. The Asian Tigers had followed a broadly orthodox script (albeit with a stronger role for government than many Economic Liberals would favour) but many Global South countries found the prescription of opening up their economies to foreign competition a bitter medicine with no remedial effects. In Mozambique, for example, their once major cashew nut industry collapsed in the early 2000s when they were compelled to stop subsidizing the sector as a condition of World Bank loans. With more interventionist administrations coming into power in London and Washington civil society criticism of Structural Adjustment became more prominent and, as a consequence, the World Bank came to listen to different voices and further re-oriented itself on a reformist and socially-conscious path.

*'The overall goal of development is therefore to increase the economic, political and civil rights of all people across gender, ethnic groups, religion, races, regions and countries'*

(World Bank 1991: 31)

*Box 18.7 Stiglitz Globalization and its Discontents 2002*

US academic and government advisor Joseph Stiglitz was chief Economist of the World Bank from 1997 to 2000 when he was forced out of his post in for his outspoken criticism of 'free market fundamentalists' in his organization and the IMF and WTO. He subsequently became the leading voice for the Post Washington Consensus, setting out his vision most clearly in his work *Globalization and its Discontents*;

'Even if Smith's invisible hand were relevant for advanced industrialized countries the required conditions were not satisfied in developing countries. The market system requires clearly established property rights and the courts to enforce them'  
(p.74)

Notwithstanding Stiglitz's exit, the World Bank has continued on a reformist path and is now generally accepted to be a much more socially-oriented set of institutions than the IMF or other global economic fora like the World Trade Organization set up in 1995. Even under the stewardship of some ultra-conservative US-appointed Presidents a reformist approach has persisted since Social Policy and Development Studies perspectives have become established amongst staff previously dominated by traditional economists and financiers. Hence loans for development projects are now only approved after carrying out an Environmental Impact

Assessment and the implementation of ‘gender mainstreaming’ measures to ensure that the marginalization of women does not occur.

The World Trade Organization, whilst undoubtedly dominated in decision-making terms by the Global North, has nevertheless given a prominent platform for the Global South to again project its voice. Global civil society, with campaigns such as ‘Make Poverty History’ has also played its part in giving momentum to an agenda for reform. Hence some of the NIEO demands, having been largely ignored in the 1980s, have come back to the fore and, to some extent, been acted upon.

In line with this Post Washington Consensus, and in order to move international development policy beyond rhetoric and build a genuine consensus, a new global reformist agenda, the Millennium Development Goals (MDGs), were adopted by the UN General Assembly in 2000. Importantly, unlike the NIEO, the MDGs were also adopted by the IMF, World Bank, Organization for Economic Cooperation and Development and G7; institutions dominated by the Global North and with more political muscle than the UN’s talking shop.



*Case Study box-* The Millennium Development Goals

- Goal 1: Reduce extreme poverty and hunger by half
- Goal 2: Achieve universal primary education
- Goal 3: Promote gender equality and empower women
- Goal 4: Reduce child mortality by two-thirds
- Goal 5: Reduce maternal mortality by three-quarters
- Goal 6: Reverse the spread of HIV/AIDS, malaria and other diseases
- Goal 7: Ensure environmental sustainability
- Goal 8: Develop a Global Partnership for Development (fair trade and more aid)

As can be seen the MDGs are far from a utopian wish-list and represent an attempt to set pragmatic and verifiable targets by which the international community can be judged. The baseline for the calculations are the various indicators as of 1990 and the judgment on meeting the goals will be made in 2015.

Progress towards meeting the Millennium Development Goals in 2015 can best be described as 'mixed'. The proportion of the world living on less than \$1.25 has fallen significantly but hunger levels have not improved. The World Food Programme estimates that the number of malnourished people in the world topped the 1 billion mark for the first time in 2009, significantly up on the 1990 level (WFP 2009). On unpicking these figures a general trend for all the goals emerges. Asia, Latin America and North Africa have seen significant progress, and are likely to meet many of the targets on a regional basis, but Sub-Saharan Africa is out of step with this improvement. Universal primary education is close to a reality in Asia and Latin America but over a quarter of Sub Saharan African children still do not attend school. More girls have come to be enrolled in schools across the Global South but gender equality in 2015 is not a likely prospect. Similarly, child and maternal mortality rates have fallen significantly in much of the Global South but have not improved, (and even deteriorated), in much of Sub-Saharan Africa. Although significant funds have been mobilized for international programmes combating AIDS, malaria and tuberculosis these diseases show little sign of abating in the near future, with Sub-Saharan Africa again most afflicted. The goal of environmental sustainability is, in itself, a mixed picture. The sub-aim of reducing by half the number of people without access to clean water is on target but indicators for deforestation, fish stocks and biodiversity have actually worsened. The notion of establishing a global partnership by 2015 has also made limited progress. By then it is likely only a small number of countries will be meeting the target of giving 0.7 % of their GDP in foreign aid. Freeing up agricultural trade has also proved a difficult concession to wrest from the Global North.

**STOP AND THINK REFLECTION: would you support you and/or your country's citizens contributing more in taxes towards development in the global South?**

Not everyone, of course, is subsumed within the Post Washington Consensus, broad church though it is. To the left Structuralists still contend that development is impossible in a capitalist world and see salvation as only coming once globalization eats itself and a socialist revolution follows. At the other end of the spectrum Economic Liberal purists resent the dilution of their credo and, in a case of right meeting left, see Northern interventions in the South as merely reproducing dependency. From this perspective, market forces not hand outs are the best way to encourage the poor to drag themselves out of the gutter. Hence economist Peter Bauer's assertion that; 'aid is a phenomenon whereby poor people in rich countries are taxed to support the life-styles of rich people in poor countries' (Bauer 1976: 115).

Some thinkers and activists have come to question development as a concept altogether. 'Post development theory' rejects the whole notion of development as has emerged in either the orthodox or reformist forms and its coalescence in the Post Washington Consensus. Influenced by Critical Theory (see Chapter 9) some writers have, since the early 1990s, challenged the ontology (meaning) of 'development' as a Northern construct. Majid Rahnema, for example, has defined development as; 'an ideology that was born and refined in the North, mainly to meet the needs of the dominant powers in search of a more "appropriate" tool for their economic and geopolitical expansion' (Rahnema 1997: 379).

## **Conclusions**

Opponents of capitalism will, of course, continue to reject any agenda that is about the preservation of the Liberal International Economic Order, however socially-oriented and reformist it may be. The rise of a powerful transnational social movement rallying against the inequities of globalization over the past decade and the sudden downturn of the global economy in 2008, resulting from anarchic private banking practices, offer some hope for the radicals that capitalism is a doomed venture

The radicals, however, are increasingly on the margins of the discourse of international development policy. The Post Washington Consensus is far more consensual than what preceded it and broad global agreement on a reformist Liberal path seems to be well-established. 'The principal achievement of the Post Washington Consensus was to head off opposition to the most fundamental principles of a liberal international economic order by coopting potentially challenging ideas, bringing them into the service of the neo-liberal mainstream and rendering their radicalism redundant' (Payne 2005: 89).

At the 2009 G20 Summit of the world's leading economic powers, including countries like Brazil, China, South Africa, India and Mexico (which had by now superseded the G7 in significance), reaffirmed their commitment to development in spite of the pressing concern to re-establish their own economic growth. Ideas like IMF reform were also re-aired and a commitment to the Millennium Development Goals re-stated, this time with Global North countries compelled to acquiesce to them.

Dependency Theory could be applied well to the experiences of countries like Mexico and Brazil in the 1940s but, in the 21<sup>st</sup> Century, it is probably not a realistic prospect for any country to cut itself off from the global economy. North Korea's attempts at self-reliance

(added to the pursuit of nuclear weapons technology) resulted in the 1990s famine which has killed hundreds of thousands. Development policies have sometimes been counter-productive and sometimes self-serving for the Global North but criticizing past practice can be used constructively to improve future policy rather than just to pick holes in it (Ziai 2004).

Without doubt, the economic gap between the world's rich and poor continues to widen and many countries remain undeveloped and appear unlikely to develop in the foreseeable future. If we return to the Rawls test of gauging fairness in the distribution of resources, the onset of political globalization from the mid twentieth century could be considered just since, in spite of the growing disparity between rich and poor, the quality of life has improved for nearly all the people of all countries. Across the board increases in life expectancy, and more latterly and indicatively of Human Development Index (HDI) scores, support this. Of all states in the world only Zambia recorded a lower HDI rating in 1999 compared to 1975 (Goklany 2002). A recent drop off in HDI of some states however, largely due to a rising problem of disease, suggests that global governance is beginning to fail the Rawls test. Some 16 Sub-Saharan African states experienced a decline in HDI between 1990 and 2007 (UNDP 2008). The overall trend is still upwards but a significant enough number of exceptions to the 'rule' have emerged to easily be put down to chance or purely internal factors. The Post Washington Consensus has put development more to the forefront of international politics than ever but the persistence of absolute poverty in a world of sufficient food and resources for all is indicative of a similarly persistent global political failing.

## QUESTIONS

- Evaluate the past and present impact of the Global South on global economic policy.
- Why has the traditional approach to understanding economic development been challenged and how far has this challenge succeeded?
- Is the achievement of economic development by the ‘Newly Industrialized Countries’, in recent decades, proof that this is also possible for the rest of the Global South?

## RECOMMENDED READING

**Anthony Payne (2005) *The Politics of Unequal Development*, Basingstoke UK & New York: Palgrave.**

A well-researched study chronicling the progress of international policy and theory on development issues since the end of World War Two. An insightful study of how and why different prevailing schools of thought on development have emerged over time.

**Regan (ed) (2006) *80:20. Development in an Unequal World* 5<sup>th</sup> edition, Educating and Acting for a Better World**

A glossy and accessible volume, designed partly to appeal to sixth formers, but still an authoritative introduction to the various themes of development and global poverty suitable for university study.

## WEBSITES

**Human Development Report-** see the annually collated data and analysis broken down into sub-categories and individually for most countries of the world;

<http://hdr.undp.org/en/>

**Millennium Development Goals-** see the targets and sub-targets in full and regularly updated analysis of progress towards meeting them:

<http://www.undp.org/mdg/>

**World Food Programme:**

<http://www.wfp.org/>

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<sup>i</sup> Malnutrition defined by the WFP as a daily intake of below 1,800 calories. 2,100 is the recommended intake.